STATE SUPERVISION OF INSURANCE COMPANIES

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On December 8, 1904, the President of the United States in his annual message to Congress, said:

"The business of insurance vitally affects the great mass of the people of the United States, and is national and not local in its application. It involves a multitude of transactions among the people of the different states and between American companies and foreign governments. I urge that Congress carefully consider whether the power of the Bureau of Corporations cannot constitutionally be extended to cover interstate transactions in insurance."

Were his remarks predicated upon actual facts? It is not my intention to dwell upon the magnitude of the insurance interests in this country, nor to speak of the enormous sums which are collected annually by this class of corporations in the form of premiums from its citizens. I do desire, however, to present a concrete illustration of the magnitude of the interests entrusted to the care of the officers of insurance corporations. If one examines the last annual statements rendered by three of the largest life insurance companies in this country it appears that the sum of their assets is about $1,250,000,000. The manner in which insurance companies are constituted is no different from that of other corporations, and in consequence the handling and investing of this enormous sum is in the hands of a few master minds, while ostensibly the finance or executive committees consist of a much larger number. I venture to make the assertion that the disposition of this sum just mentioned is in the hands of not more than a dozen people, and when we stop to consider that the accumulations of a life insurance company are a sacred trust fund, we are approaching what must have been one of the motives which lies at the very base of state supervision. I have cited here the accumulations of but three companies, and when we stop to count the number of fire, life, casualty and miscellaneous

companies which are domiciled in this country we can appreciate with added force the point which I have just raised.

Corporations exist to-day because they are part of the development of commercial history, and must be regarded as one of the necessary accompaniments of the complex, modern industrial conditions. Glancing back over the history of banking we find that the first banking operations were conducted by the individual. Owing to his wealth, or perhaps his reputation for integrity, he took his position in his own particular locality as a desirable depository for the funds for which the citizens of that locality had no immediate use. He was known personally to all his clients. There was no necessity for the state stepping in and investigating the condition of his affairs. Each and every depositor had it within his power to know his banker was living, whether his habits were such as to inspire confidence, and whether the wisdom which he was supposed to possess would probably result in the safe investment of the funds entrusted to his care. However, as soon as banking functions became more complex, and it became necessary for the banker to extend his territory into places too far removed to permit of a personal and intimate knowledge of the individual, the banking corporation sprang into existence. State banks and National banks usurped the functions of the private banker, and the state found it necessary, for the protection of its citizens, to establish some form of visitation whereby it would be enabled to ascertain the standing of the various corporations and their methods of doing business, and in this way be in a position to give necessary information to those of its citizens legitimately entitled to it.

The history of insurance is somewhat similar, if one may be permitted to regard as insurance premiums, the fixed periodical payments which were made by the members of the Anglo-Saxon guilds toward a common fund, from which losses were paid. As a matter of fact, this is the purest form of mutual insurance, and we find the members of these guilds uniting in the manner just described for the purpose of indemnifying themselves against the losses arising from fire, flood, robbery or other calamities; but the business of insurance was far too important and too technical to be administered by the individual. This fact was recognized as long ago as 1660, for we are told that at this date a plan for establishing a fire insurance company was set on foot by "several persons of quality

and eminent citizens of London." The project met with the king's approval, and being referred by him for attention to the Common Council met with opposition from that body, which was not inclined to clothe individuals with such powers, for they rejected the proposal "on the ground that they thought it unreasonable for private persons to manage such an undertaking, or that any one but the city should reap the profits of the enterprise."

The field in which individuals can operate is naturally limited; but this is not true of corporations, for they are enabled to attract to themselves large amounts of capital and lose, therefore, their local flavor, while assuming more complex and extensive functions. This, however, is not peculiar to insurance companies, and I believe it not unlikely that within the next few years we shall witness a form of supervision exerted over all semi-public corporations similar to the one to which insurance companies are now subjected. Within the past few months the citizens of this country have been interested by the suggestion emanating from the Department of Commerce and Labor, to the effect that all corporations should be required to obtain federal charters, and thus subject themselves to supervision from that source. It may not be uninteresting at this moment to refer to a paragraph contained in the report of the secretary of this department, published shortly after the president's message. In speaking of the insurance companies he says: "The rapid development of the insurance business, its extent, the enormous amount of money and diversity of interests involved, and the present business methods suggest that, under existing conditions, insurance is commerce, and may be subjected to federal regulation through affirmative action by Congress. The whole question is receiving the most careful consideration upon both legal and economic grounds." I shall refer more fully in the latter part of this paper to the question of federal supervision; but I desire at this time to pass to the more practical phase of the question, which may be found in an answer to the question: "How is the state supervising insurance companies, and does such supervision redound to the benefit of the citizen?" In the first place, not everybody is of the same mind as to the necessity for the exercise of this branch of the public government. The opposition may be broadly divided into two classes: First, those who desire no supervision because it imposes additional labors or expenses upon them, or else their methods are such

that they prefer to walk in those dark lanes and by-ways where the great, broad beam from the searchlight of publicity cannot reach them; and second, those who believe that supervision of insurance companies is a form of paternalism which is inconsistent with the principles underlying the government intended for this country by our forefathers. We need waste but little on the first class, but the second class is entitled to a respectful hearing. I shall not attempt, however, at this time to debate the question of paternalism. Suffice it to say that as long as the citizens of any sovereign state, through their legally elected representatives, decide that the public welfare requires its banks to be examined, its physicians to pass a satisfactory examination before they are entitled to practice, its dentists to undergo a similar ordeal before they are permitted to operate upon our molars, and (as in the case of our sister state, New York), require its barbers to give convincing evidence that they are competent to cut the citizen's hair and shave his beard, I see no reason for taking umbrage at an extension of this paternalistic doctrine to insurance companies. In fact, there are additional and weighty reasons, for while we must of necessity be present while submitting to the ministrations of the barber, our life insurance policies are more or less shadowy and vague unrealities during our existence, and usually assume their prime importance when we are no longer here to explain what our intentions were and what representations were made to and by us. As the tendency of the times is in the direction of an increased supervision, rather than the abolition of it, I think it will be fair to all concerned if we accept it as it stands today in this country and discuss it from that viewpoint.

Each of the states and territories comprising this great United States has an insurance department, and in addition thereto the District of Columbia likewise exercises to the fullest extent its control over insurance corporations. The supervising officer is known by various titles. In the larger states he has a separate department of his own, and is known as the commissioner or superintendent of insurance. Other states (some of which are large and wealthy enough and have sufficient insurance interests to entitle them to a separate bureau) have attached their insurance department to the auditor of state's office, where it is administered oftentimes in a most perfunctory manner by the same machinery that is furnished by the state for looking after building and loan associations, savings banks,

county treasurers, etc. In some others the secretary of state looks after the details, while in others the state treasurer is the responsible officer. In nearly every case where the insurance department is a separate branch of the state government its head is appointed by the governor. In fact, there are only two states, I believe—Delaware and Wisconsin—whose insurance commissioners are elected by direct vote of the people. Each state has an insurance code of its own, and the difficulties and annoyances which insurance companies experience in trying to comply with fifty different sets of laws may well be imagined. There is a crying need for uniformity in this matter, and for a radical change in the laws of all the states. I know of no one state which possesses a code of insurance laws which may even be termed reasonably satisfactory. The insurance business has attained such proportions, and contributes so liberally through taxation to the income of the state, that it is entitled to more equitable and reasonable treatment than it is receiving at present.

The duties of an insurance commissioner may be said to be threefold. First, to see that the laws of his state are obeyed; second, to see that the citizens of his state are justly treated by the insurance corporations; and third, to see that the insurance corporations themselves are protected while operating under his permit. His duty in administering the law requires that he shall cause every company authorized to do business in his state to file an annual report setting forth in detail its receipts, its disbursements, its assets, its liabilities, and such other information as he shall deem necessary. He must see that it has complied with all of the laws of the state from which it received its charter, and that it has on deposit with the proper officer there approved securities worth at least $100,000. He must see to it that a resident of his state is appointed its attorney, upon whom legal process may be served in order that the citizens of his state may not be compelled to go beyond its borders to serve the necessary papers in the event of litigation. He is required to publish this for the information of his fellow citizens. He is required to see that no agent solicits insurance without a license; that the company makes a correct return of the taxes which are imposed upon it by the laws of his state, and finally to exercise that relic of barbarism known as the retaliatory law, whereby he is compelled to say in practice to the corporations of other states, "because your laws impose unjust and onerous conditions upon my corpora-

tions I will act in the same unjust and arbitrary manner towards you." It is a matter of regret that this legacy from the Dark Ages is to be found upon the statute books of so many of our enlightened states.

Now, as to his duty to the policyholder of his state. He must be prepared to investigate complaints, to ascertain whether the policyholder is receiving the treatment to which he is entitled and to see that no unjust discriminations are worked against any particular individual. He must likewise value the outstanding policy obligations of insurance companies in order that he may determine whether, as in the case of a fire insurance company, it is holding a sufficient amount to pay its losses as they mature, or whether its entire collections have been dissipated in the form of expenses and salaries; and whether, as in the case of a life insurance company, it has sufficient funds on hand to provide for the rigid carrying out in the future of its contractual relations with its policyholders. He must likewise protect the interests of the citizens of his state by frequent examinations of his local corporations, and in cases where he deems it necessary by the examination of corporations situated outside of his state. This is an important part of his duties, for without it he is powerless to know whether the annual statement filed by the company, which is naturally the basis of his opinion of its condition, is a true and correct exhibit of its operations. There is much need for reform, however, in the manner in which this branch of the commissioner's duties is administered. Unfortunately, the laws of the various states require the corporation examined to pay the expense of the commissioner's investigation. This may justly be compared to that refinement of torture whereby the youthful miscreant was compelled to cut the switch with which he was to be thrashed. The expenses of all examinations should be borne by the state conducting them.

And now comes his third duty, which is by no means the least important, viz., the protection which he should afford to the insurance companies. As he is gifted with great power it becomes him to administer it with a gentle hand. He should carefully refrain from using his office as a collection agency for claims. And, above all, he should be in a position to thoroughly eradicate that evil known as "wild-cat" insurance, by which is meant the operations of those predatory corporations which steal into a state, write insurance of a

worthless character, and are away again before the deluded policy-holder can realize that he has been made the victim of a swindling game. The insurance companies which submit themselves to the operations of the insurance laws of a state are entitled to insist upon the extermination of the "wild-catters." It is their privilege and their right.

There have been good commissioners and bad commissioners, honest men and dishonest men, capable men and those of absolute incompetence, in the same way that there have been desirable and undesirable men in every walk of life. Considering their opportunities, however, and realizing that they are men who are taken from other walks of life, temporarily clothed with great authority, and in nearly every case conscious of their liability to removal from office just about the time that they are beginning to learn their duties, the insurance commissioners of this country have creditably administered the task assigned to them, and their record compares most favorably with that of any other branch of the government. Crude though it may be in spots, the system of supervision exercised over insurance companies to-day is far more effective than is the supervision exercised over national banks.

While not intending to present a history of state supervision in this country, it may, nevertheless, be of interest to call attention to a few dates which mark the establishment of departments charged with the specific purpose of looking after these great interests. Corporations being creations of the state are at all times subject to the police powers of the body which brought them into existence. Insurance corporations are no exception to the rule, and the earliest form of supervision simply required the same compliance with the laws that was exacted from corporations transacting other lines of business. One of the earliest specific statutes, however, requiring reports from moneyed corporations was a requirement adopted by the Massachusetts general court as early as 1807, while the next step is found in the revised statutes of 1828 of the State of New York, which required moneyed corporations to make annual reports to the comptroller of the state and provided that corporations authorized to issue insurance policies were moneyed corporations within the meaning of the law. In New York the first general insurance act was passed in 1849 and practically included the provisions of the prior act. The insurance department in that state, however,

was not established until ten years later and the legislature then passed an act which merely transferred the supervision from the state comptroller to the superintendent of insurance. No additional measures were incorporated therein to insure the safety of the policyholders or to establish rigorous tests whereby the solvency of the companies could be determined.

It is interesting to the student of insurance to examine the first annual report issued by William Barnes, the first superintendent of the New York department. He states in the introduction: "The establishment of a distinct department charged with the execution of the laws relating to insurance, was imperatively demanded by the magnitude and importance of the interests involved, and the vast increase of the business of insurance within the past few years." When we stop to consider that the total capital and accumulations of the life insurance companies of the state of New York at that time amounted to $12,090,815.24, we can see how our standards for judging the magnitude of the business have changed.

It was not until 1866 that the English Life Table No. 3, for males, with interest calculated thereon at 5 per centum per annum, was established as a standard of solvency in New York, only to be changed two years later by the substitution of the American experience table of mortality as a standard. This table had just made its appearance and was constructed from the experience of the Mutual Life Insurance Company of New York by Sheppard Homans. Four years before the establishment of the New York department, Massachusetts had established hers and had prescribed as a basis of solvency the actuaries' table of mortality which was based upon the experience of seventeen English life offices. Gradually the other states fell into line until all were equipped with more or less perfect machinery for the supervision of the companies operating within their borders. If, however, we dropped this phase of the subject at this time and left the impression that state supervision had confined itself to mere methods of accountancy and had not accomplished some more lasting and substantial good for the policyholders, we would be doing the institution an injustice. In 1861 the Massachusetts non-forfeiture law was approved. Crude as it was it furnished a basis for requiring insurance companies generally to recognize the equities which the retiring policyholders had in the general funds of the companies, and about four years later

the companies began to provide in their contracts on the ordinary life form a surrender value in the form of paid-up insurance after the policy had been in force three years. The surrender charge was deducted from the reserve standing to the credit of the policy and the balance invested as a single premium. There was great diversity of opinion and practice as to what this surrender charge should be. This non-forfeiture law in Massachusetts was replaced by one approved in 1880, and a still further modification was made in 1887. The present non-forfeiture law in New York took effect in 1880. California and Michigan adopted similar legislation in 1869, while Maine's first non-forfeiture law was passed in 1877, and Missouri's two years later.

In view of the interest which has lately been manifested in the direction of substituting or supplementing state supervision by national supervision, I have determined to devote some time to a discussion of this feature of the question. We are, to use the words of that eminent jurist, Judge Grosscup, "in the midst of a sweep of events, that unless arrested and turned to a different account will transform this country from a nation whose property is within the proprietorship of the people at large, to a nation whose industrial property, so far as active proprietorship goes, will be largely in the hands of a few skilled or fortunate, so-called, captains of industry and their lieutenants." What Judge Grosscup says about corporations in general is particularly and peculiarly applicable to insurance companies. There never was a time in the history of this class of corporations when there was such grave danger of the power of great wealth becoming centralized as there is at the present time, and, unfortunately, a great wave of speculation has coincidently swept over the country. It is to the credit of insurance managers generally that they have resisted what might be a natural tendency to use the trust funds in their keeping as a means of personal aggrandizement, and for the flotation of speculative enterprises; and I do not hesitate to say that the restraining influence which has kept them from these dangerous paths has been the publicity which state supervision is enabled to demand.

Within recent years one of the large insurance corporations in this country determined to take the profits which had been accumulated by the contributions of its policyholders and distribute them in the shape of "dividends" among its stockholders. Three or

four strong-minded, fearless, insurance commissioners served notice upon the officers of that corporation that the carrying out of the plan would meet with their disapproval and its attendant consequences. The managers wisely determined to abandon the scheme. Subsequently the same corporation attempted to practically merge its identity with that of a trust company, similarly officered, with the result that a number of insurance commissioners again served notice upon it, that to persist in its determination would mean the revocation of its licenses in their respective states. That the judgment of the commissioners was well formed is borne out by the fact that the courts of the state in which the company is domiciled issued an injunction forbidding the merger. Is it any wonder that the officers of this corporation are among the warmest and strongest advocates of the abolition of the entire structure of state supervision?

From whom does the demand come for the establishment of a national bureau at Washington, which will do away with the various state departments? Strange as it may seem, the policyholder, who primarily is the one benefited most by supervision, has indicated no desire to have the present methods changed. The entire demand for the new order of things comes from the officers of the insurance companies, who seek in this way to escape the burdens and compliance with the dicta of state supervision. Why, they ask, if the banking business is supervised by the federal authorities, should not the insurance business be treated in a similar manner? The answer is simple. The banking business is not supervised by the federal government, except when the bank attempts to exercise a function of the central government, viz., "to emit bills of credit." In other words, there may be a bank incorporated under the laws of any of the states, which transacts an enormous business, which practically has agents in every state of the Union, and whose operations partake of an interstate nature as thoroughly as any can. The government does not attempt in any way to exercise supervision over it; but let a bank, no matter how small its capital, no matter how restricted its operations, once issue bank notes, and it becomes at once an object of visitation by the central government, which insists upon a regulation of the affairs of such an institution in order that the early scandals of repudiated bank notes may not be repeated. The national govern-

ment does not say to a banking institution: "Because you are large and operate in every state of the Union we will supervise you;" but it applies the sole test: "Are you exercising a function of the central government? If so, we will see that you so conduct your business along proper lines that the credit of the United States will stand behind every dollar note that is issued to the world with the names of your president and cashier upon it."

Again the question is asked, "If the government supervises railroads, why should it not supervise insurance companies?" And a consideration of this question brings us face to face with the fact that the Interstate Commerce Commission was appointed, not at the request of the railroads, but because the individual shippers found themeslves unable to secure equitable treatment at their hands. The reason that this government is able to supervise railroads, even in the inefficient manner in which it does it at present, is owing to the permission which is granted to it specifically by the Constitution of the United States to regulate commerce between the various states. To bring insurance companies, therefore, into the same category with railroads we ought to be prepared to show that they, too, are transacting an interstate commerce business. We may each of us have a distinct idea as to what constitutes commerce, and to what extent an insurance policy may be designated as an instrument of commerce. Fortunately we are enabled to turn to the proceeding of the highest court in the land, and find out how the Supreme Court of the United States has placed itself upon record in this matter. The two cases which I am about to cite are important historically, as they mark definite expressions of opinion, and they must be reversed *in toto* in order that the suggestion of the President of the United States and of the secretary of the Department of Commerce and Labor be carried into effective operation. Before doing so, however, I desire to absolve myself from any intention to enter into the realms of constitutional law, state sovereignty and the various other intricate legal problems which are the logical and natural results of the discussion of this question from the legal side. It is my intention merely to state these two cases and the findings of the court.

In 1868 the Supreme Court of the United States handed down a decision in the now celebrated case of Paul *vs.* Virginia. About two years before, Samuel Paul, a resident of the State of Virginia,

was appointed the agent for several insurance companies incorporated in the State of New York. He applied to the proper officer of Virginia for a license to act as agent for these corporations, offering to comply with all the requirements of the statute applicable to foreign insurance companies, with the exception of one, which required a deposit of bonds with the treasurer of the state. A license was refused him because he failed to comply with this provision. Notwithstanding such refusal he continued to act as agent, and for this violation of the statute was indicted and convicted in the Circuit Court of the city of Petersburg, and sentenced to pay a fine of fifty dollars. An appeal was taken to the Supreme Court of the state, where the judgment was sustained, and the case was taken to the Supreme Court of the United States, the ground of the writ of error being that the judgment affirmed below was against two clauses of the Constitution of the United States. First, the one which provided that "the citizens of each state shall be entitled to all the privileges and immunities of citizens in the several states;" and second, that clause giving to Congress the power "to regulate commerce with foreign nations and among the several states." The learned court wrote a lengthy opinion, and, speaking on the second point just mentioned, says: "The defect of the argument lies in the character of their business. Issuing a policy of insurance is not a transaction of commerce. The policies are simple contracts of indemnity against loss by fire, entered into between the corporations and the assured, for a consideration paid by the latter. These contracts are not articles of commerce in any proper meaning of the word. They are not subjects of trade and barter, offered in the market as something of an existence and value independent of the parties to them. Such contracts are not interstate transactions, though the parties may be domiciled in different states."

That decision was handed down many years ago, but it seems to have been held to be pretty good law, for the Supreme Court has not reversed itself.

The second case which I am about to cite is, if anything, more convincing, to my mind, for it deals with a policy of marine insurance, which it will be admitted is more closely and intimately associated with commercial transactions than a fire insurance policy is. In September, 1888, the plaintiff in Hooper *vs.* California was arrested and charged before a police court of the city of San Fran-

cisco with having early that year committed the misdemeanor of procuring insurance on account of foreign companies that had not complied with the laws of California. He was found guilty and sentenced to pay a fine of five dollars, and in default thereof to be imprisoned for one day in the city prison. The case was fought through the state courts, and finally carried to the Supreme Court of the United States, which handed down a decision in 1895. The opinion of the court says, among other things: "The business of insurance is not commerce. The contract of insurance is not an instrumentality of commerce. The making of such a contract is a mere incident of commercial intercourse, and in this respect there is no difference between insurance against fire and insurance against the 'perils of the sea.' The State of California has the power to exclude foreign insurance companies altogether from her territory, whether they were formed for the purpose of doing a fire or a marine business. She has the power, if she allows any such companies to enter her confines, to determine the conditions on which the entry shall be made. And as a necessary consequence of her possession of these powers she has the right to enforce any conditions imposed by her laws as preliminary to the transaction of business within her confines by a foreign corporation."

I have given these two quotations, as they seem to have a direct bearing upon the right of the national government to attempt to regulate the conditions upon which insurance companies may transact their business in the various states. I seriously question the possibility of interference with (*a*) the right to tax or the amount of taxation which may be levied by a state upon a foreign insurance company; and (*b*) the right to interfere with the right of examination which is now exercised by the various state governments. If the establishment of a central bureau cannot do away with these, underwriters generally have been frank enough to say: "We do not want national supervision, for it would simply mean the imposition of another supervising officer without mitigation of the present evils." Fire insurance managers, who, by the very nature of their business, are required to exchange information and consult relative to the making of rates, fear that their operations may bring them within the purview of the Sherman anti-trust act.

Before concluding I should like to point out a rather interesting fact, and that is that the suggestion for national supervision is

not a very new one. In 1868 a bill was introduced in Congress providing for the establishment of a national bureau, and at the same time a bill made its appearance providing for the incorporation of "The Chamber of Life Insurance of the United States." This corporation was to be practically composed of a number of companies which desired to band themselves together, and were to have the authority to individually transact business anywhere within the United States without paying license fees or taxes, or being subject to inspection or to the provision requiring the filing of annual statements or to the making of deposits. Congress alone was to receive a report showing the condition of the companies. The superintendent of insurance of the State of New York, in his report dated April 1, 1868, refers in these scathing terms to this proposition:

"An abortive attempt in the pretended interests of policyholders has been recently made at Washington by a small minority of the life insurance companies of the Union to wrest from the several states their legitimate and constitutional functions of supervision and control over the subject of life insurance, and under the mantle of the federal government and the machinery of an association of companies to arrogate to themselves all supervisory powers and jurisdiction, with the right to issue certificates of authority for every state in the Union except that in which a company is incorporated. Undoubtedly all companies, by their boards of directors, actuaries, auditors, stockholders and policyholders, should annually at least examine, audit and regulate their affairs in the best possible manner; and if all or a portion of the companies choose to associate themselves together for this purpose the public will not object to any such vouching by all for each individual company, but any system of self-supervision by the corporations themselves or by their own officers, actuaries or appointees, however artfully disguised, will not be accepted by the public for an independent governmental supervision made in the interests of the state and the whole commonwealth. This crude and ill-digested scheme very properly received its quietus in the Judiciary Committee of the House of Representatives by a unanimous vote and was not even dignified by a report for the consideration of Congress."

But if we are to have national regulation of insurance, let us have the real article. Let us have a supervision which is not perfunctory. Let us have a supervision which will be enabled to pre-

scribe just what investments may be made by insurance companies. The Prussian government has a form which not only seeks to secure publicity and the establishment of a standard of solvency, but actually enters into the business methods of the corporation. It requires that certain deposits be made, that the funds of the company be invested only in certain prescribed securities, all of which are devoid of speculative character, such as stocks of every description, that every change of by-laws be submitted and approved by the chancellor before it goes into effect; that Prussian civilians be not compelled to pay an extra premium for the extra hazard involved in the war risk, and then, in addition to these and other similar restrictions, it goes to the very root of the most serious evil with which we have to contend in this country, namely, the excessive cost which company managers are paying for their business, and forbids any corporation to pay more than 2 per cent. of the face of the policy for its procurement.

It may not be amiss to state that at the present session of Congress there was introduced a bill providing for the national regulation of insurance, by a representative from Pennsylvania. From what has gone before I think it is clear that insurance is a complex subject, and one requiring specialists for its administration. With these points in view, a critical examination of the bill just introduced will, I think, indicate to an impartial observer two things at least. First, that the supervision of *all* the companies in the United States is a piece of work of such magnitude that it is hardly practicable to have it undertaken by one department; and second, that if it be possible to find the man who is competent as a fire underwriter who is sufficiently well-versed in the legal and actuarial doctrines to be able to supervise life insurance companies, and who is able to intelligently grasp the situation as it affects casualty plate-glass, and employers liability companies, we will find the man who is worth many times the extravagant salary of $3,000, which Mr. Morrell proposes to pay the head of this bureau. Is this not a bid for a repetition of the very evil which is so dominant in state supervision, viz., filling the office as a reward for political services? I must admit that I cannot look without apprehension upon placing so much responsibility in the hands of one man. I believe that there is less liability of doing an injustice to the insurance interests by distributing the responsibility than in concentrating it as proposed.

The insurance world has seen men in office as state insurance commissioners who administered their duties in the most dishonest and disgraceful way. To imagine men of similar type in charge of a national bureau is sufficient to cause the gravest apprehension. I believe that we can accomplish more good by developing state supervision rather than curtailing it, and I know of no more appropriate conclusion to a paper of this kind than the enunciation of a few doctrines which in my opinion would lead to that end.

The proper method of securing the ideal condition is to use our influence in taking state supervision out of politics. Let us follow the example of several of the New England States, which having found capable officials to fill the positions, have kept them in office through administration after administration. Politics ought not to be a factor. There is no department of the state government which should be so independent, and so free from entangling alliances as the insurance department. At the first sign of trouble the depositor in a bank may secure himself against loss by withdrawing his deposit, and transferring his banking operations to another institution. Policyholders in insurance companies, particularly life insurance companies, are not so situated. Their contracts mature many years after they are entered into. They cannot be surrendered at will without loss being sustained, and in the event of the failure of an insurance company the policyholders may find themselves, through age or deficient physical condition, in such a position as to be deprived entirely of the benefits of protection.

Let us surround this business, therefore, with every safeguard that we can, be it state or national, in order that we may preserve forever and ever the benefits of this beneficent institution.